SaskPower

Power Corporation Superannuation Plan

This report summarizes certain provisions of the Power Corporation Superannuation Plan. Please note that this report does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflicts or omissions, the legal requirements of the Power Corporation Superannuation Plan will govern in all cases.

104-05087/

Board Mission Statement

To provide continuous pension benefits for Plan members through prudent stewardship of assets, liabilities and effective Plan administration in accordance with current legislation.

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Message from the Chair

On behalf of the Power Corporation Superannuation Board, I am pleased to present the 2003 Annual Report for the Power Corporation Superannuation Plan. This report is designed to provide Plan members with information on a variety of topics that relate to the management and governance of the Plan.

After two difficult years for global financial markets, the Plan rebounded strongly, achieving a positive return of 13.5%. This return was higher than the total fund benchmark and near the median for industry average while maintaining a low level of risk. As a result, net assets available for benefits increased by approximately $43 million, from $641 million in 2002 to $684 million in 2003.

Through proper diversification, one of the primary objectives of the Power Corporation Superannuation Board is to maximize investment returns while at the same time minimizing risk. In the latter part of the year, the Plan moved its asset mix benchmark from 55% equity/45% fixed income to 65% equity/35% fixed income. This decision was based on a study conducted by our investment advisor that showed this type of asset mix to be best suited for the Plan.

2003 marked the second year that I, as well as the Plan's pension specialist and actuary, conducted pension information sessions throughout the province. Although attendance was down from the previous year, I found the sessions to be a valuable way to communicate with Plan members and answer any questions they have.

Finally, I would like to thank the Board members and staff of SaskPower for their hard work and commitment to the Plan.

William P. Hyde, Chair

Power Corporation Superannuation Board

Financial Overview

Financial Overview

(in millions)	2003	2002
Investments		
Short-term securities	$ 108.7	$ 54.7
Bonds	230.4	321.5
Equities	344.5	259.3
Receivables	2.3	13.0
Cash	6.7	1.2
Total assets	692.6	649.7
Liabilities	9.0	8.9
Net assets available for benefits	683.6	640.8
Accrued pension benefits, end of year	704.4	674.5
Deficit	$ (20.8)	$ (33.7)

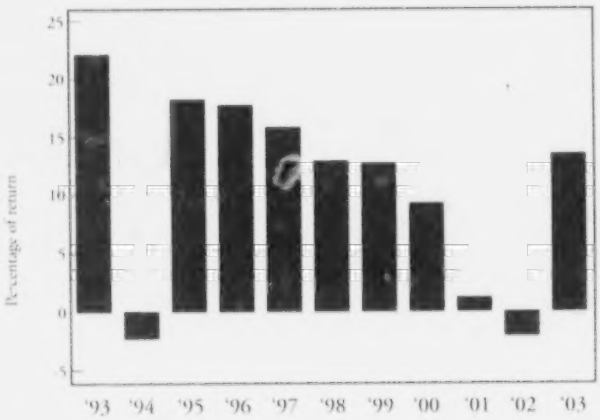
Investment Performance

Rates of return (%)	2003	2002
Plan actual rate of return	13.5%	(2.1)%
Plan benchmark	13.0%	(4.9)%
Four-year rolling average return	5.3%	5.1%
Four-year rolling benchmark	2.9%	2.8%

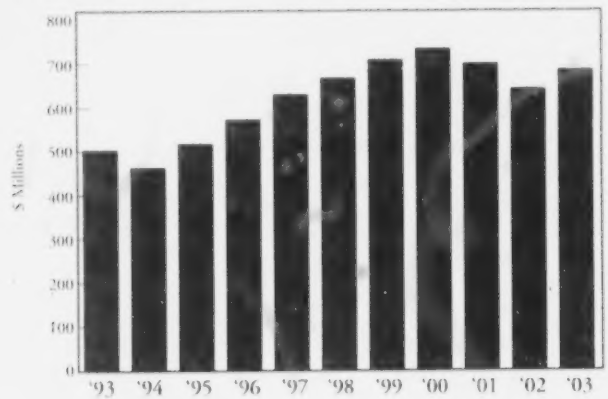
Changes in Net Assets Available for Benefits

(in millions)	2003	2002
Income		
Investment income	$ 22.6	$ 25.0
Increase (decrease) in market values of investments	58.9	(45.0)
Contributions	2.3	2.7
	83.8	(17.3)
Expenditures		
Superannuation allowances	39.4	38.7
Administrative expenses	1.6	1.5
	41.0	40.2
Increase (decrease) in net assets	$ 42.8	$ (57.5)

Rates of Return (%)
(for the year ended December 31)



Net Assets Available for Benefits
(as at December 31)



Investment Growth ($1,000 invested at the beginning of 1993)
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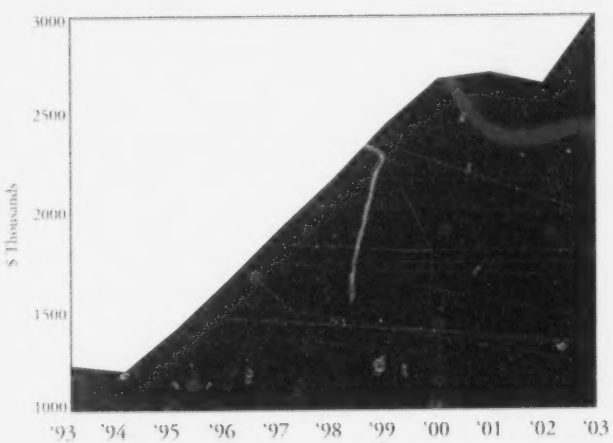

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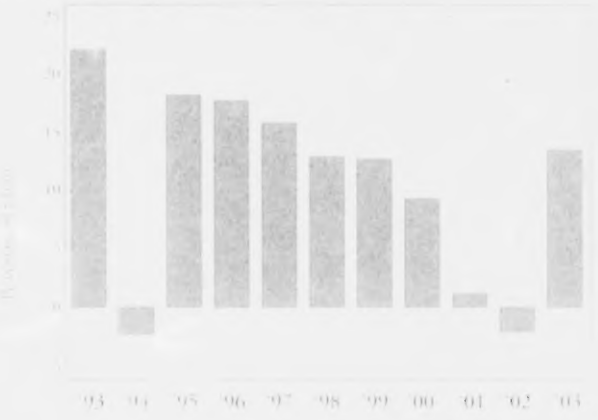
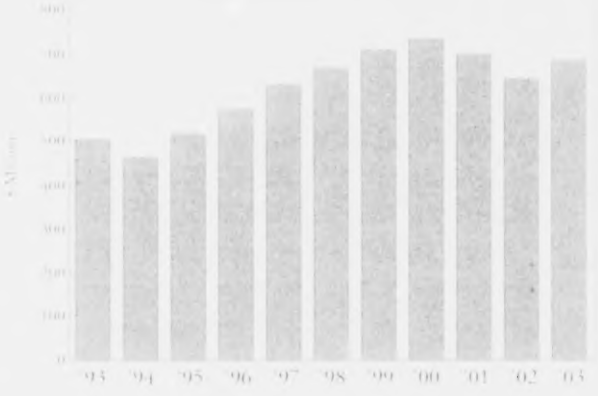


Net Assets Available for Benefits
(as at December 31)



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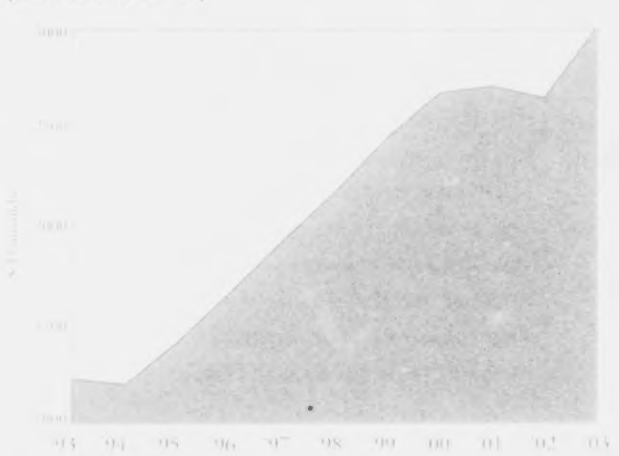


Plan Overview

The Power Corporation Superannuation Plan (the Plan) is a defined benefit pension plan that originated with the passing of *The Power Commission Superannuation Act*, 1944. *The Power Corporation Superannuation Act* (the Act), passed in 1950, governs the defined benefit pension plan. The Plan is maintained by the Saskatchewan Power Corporation (SaskPower) for employees who were hired prior to October 1, 1977, and who did not elect to transfer to the defined contribution plan before October 1, 1978.

The Act guarantees the members' basic pension regardless of the financial status of the Plan. The value of the members' basic pension depends on a number of factors, including salary and years of service at retirement. Optional pension forms require additional factors such as a member's age and the age of their spouse.

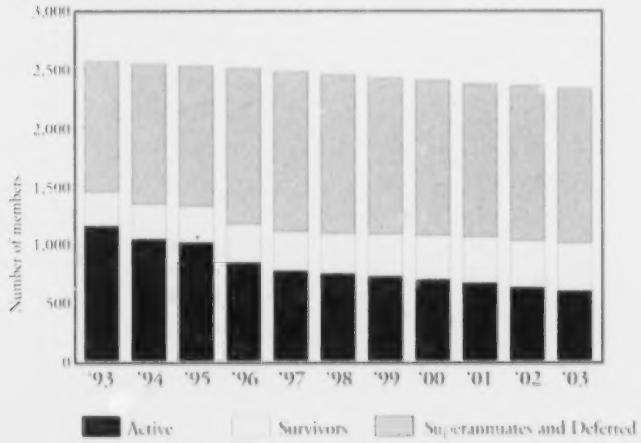
The Plan is financially sound and holds a well-diversified portfolio of debt and equity investments. Net assets totalled $684 million at year-end. While a large portion of the Plan's assets are in Canadian companies, the Plan also has equity investments in other countries. This diversification helps to maximize the return on the Plan's assets and minimize the impact of volatility in individual markets.

Plan Demographics

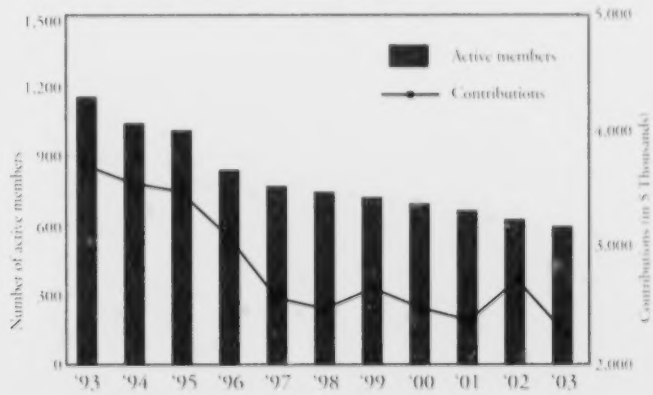
The Plan has been substantially closed to new members since October 1, 1977. The number of active members has decreased steadily over the years, primarily through retirement. The average service time for active members is 29.9 years. Therefore, it is expected that the number of active members in the Plan will continue to decrease in the future, as more members begin to receive a pension.

Approximately 73% of the total Plan membership is receiving benefits from the Plan. In 2003, there were 1,713 people receiving a pension, 30 people eligible for a deferred pension and 592 active members.

Plan Membership



Active Membership and Contributions

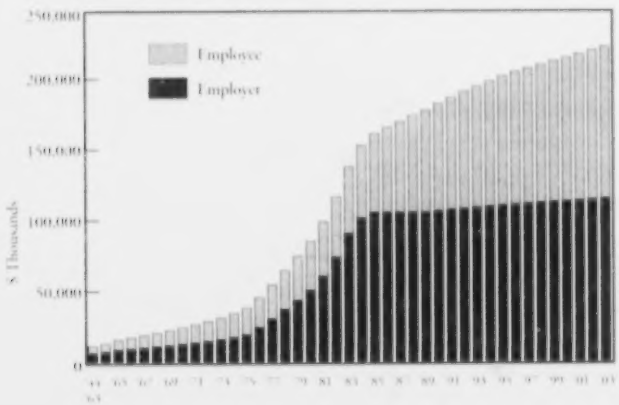


Included in the Plan's active membership are SaskPower employees and employees of SaskEnergy or other corporations that have been designated institutions by the Lieutenant-Governor in Council. Effective June 28, 2001, these institutions are required to make contributions at a rate recommended by the Plan actuary.

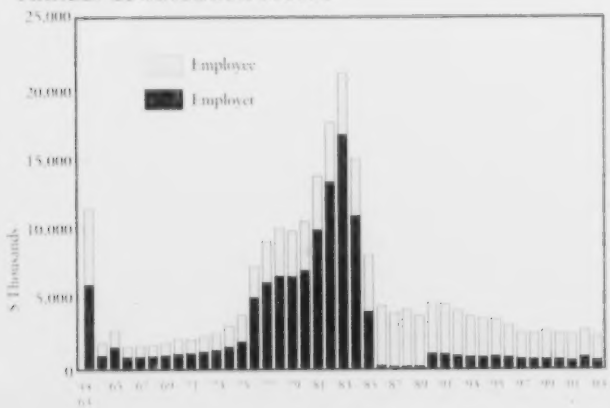
During the year, the Plan paid approximately $39 million in benefits. The average annual pension payment is $23,070.

Both the members and the employers (SaskPower and designated institutions) have contributed to the funding of the Plan. In 2003, the Plan received contributions of approximately $2.3 million, comprised of $1.8 million from employees and $0.5 million from the institutions. Since the inception of the Plan, the cumulative total of employer contributions has been 52%; the cumulative total of employee contributions has been 48%.

Cumulative Contributions



Annual Contribution Profile



An actuarial valuation is conducted annually to ensure that Plan assets and contribution levels are adequate to provide long-term benefits. As the corporation responsible for providing retirement benefits, SaskPower uses these reports to determine its funding requirements.

As the Plan continues to mature, the ratio of active members to pensioners will continue to decline. This maturation is also evident in the increasing cost of pensions compared to contributions, making the Plan more reliant on investment returns.

The priority of the Power Corporation Superannuation Board (the Board) is to ensure that all members receive the secure benefits to which they are entitled. To deliver the pension promise, the Board serves as a vital governance check to ensure that investment returns are maximized and the Plan's assets are managed prudently.

Pension Communications

A pension communication committee works to help improve members' understanding of the Plan provisions and to communicate significant legislative changes in a timely manner. The committee is comprised of superannuate, union and management representation. During the past six years, the committee distributed the Pension Update newsletter to all Plan members.

This annual report is also provided to all Plan members. The Plan's financial statements, investment performance, actuarial valuation assessment and membership profile are among the items highlighted in the report.

Significant Events in 2003

Pension Information Sessions Tour

For the second consecutive year, SaskPower sponsored a series of pension information sessions throughout the province. The meetings were again facilitated by the Chair of the Board and the Human Resources pension specialist as well as the Plan's actuary. While attendance was down from the previous year, those in attendance had an opportunity to review the Plan's performance for the year and ask a variety of questions.

Annual Benefits Statements

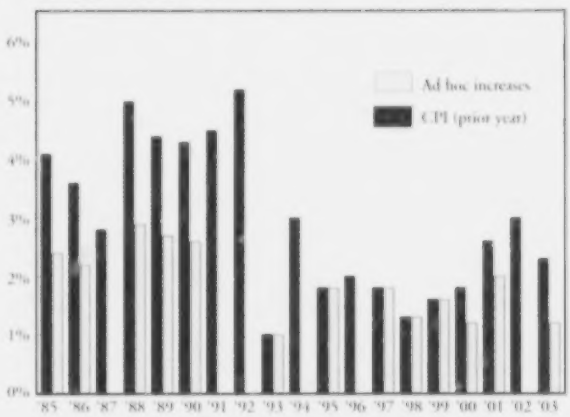
During the year, annual benefit statements were distributed for the year ending December 31, 2002, to all active members of the Plan. These statements reflect the members' basic pension information and are expected to be distributed annually.

Ad Hoc Increase

Although the Plan is not formally indexed, the Government of Saskatchewan annually reviews the level of pensions paid to superannuates. As a result of this review, the Lieutenant-Governor in Council may declare an increase up to the average of the Consumer Price Index (CPI) for Saskatoon and Regina in the previous calendar year, subject to the maximum increase permitted under *The Income Tax Act*.

These increases are commonly called ad hoc increases and are made on a one-time only basis with no promise of future increases. In 2003, an ad hoc increase of 1.2% was declared. Ad hoc increases have been granted in 13 of the past 19 years.

Ad Hoc Increases



Funding of the Plan

Every three years, the Plan's actuary performs an actuarial valuation for funding purposes. This type of valuation projects the amount of money required in the Plan in order to fund all future benefits. It is anticipated that the last of these will be paid in the year 2070. When preparing a funding valuation, a number of assumptions and best estimates are made. These assumptions include expected rates of return on Plan assets, rates for salary and ad hoc increases, mortality rates, etc., and are typically conservative in nature. Using these assumptions, the Plan has a deficit of $41 million as at December 31, 2002.

One of the major contributors to this deficit was the poor performance of financial markets throughout the world. This trend of negative returns changed in 2003 and the Plan achieved a positive return of 13.5%. If the Plan continues to achieve returns in excess of 6.5% (the interest rate assumption used in the funding valuation) over the next few years, the deficit will be significantly reduced.

While not required to fund this shortfall, SaskPower has committed to another funding valuation being completed as at December 31, 2003, and will make a decision regarding the amount of future contributions at that time.

Plan Governance

The Board is responsible for the overall governance and administration of the Plan.

Board members are appointed by the Lieutenant-Governor in Council pursuant to *The Power Corporation Superannuation Act.*

Role of Board

The Board selects the Plan's actuary, custodian and investment managers, and sets the investment policy of the fund. The Board is responsible for the stewardship of the Plan, overseeing the identification and management of principal risks, monitoring the performance of investment managers, adopting procedures that provide effective communication and ensuring the integrity of internal controls. Board members must ensure they comply with the provisions of *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations.*

The Board is responsible for the sound investment and professional administration of the Plan on behalf of its members, superannuates and sponsors. Board members review the Plan's investment policies and performance, evaluate the pension liabilities and ensure that the Plan's financial statements are prepared in accordance with Canadian generally accepted accounting principles. The Board also monitors the Plan's administration to satisfy itself that members and superannuates receive the benefits to which they are entitled as per governing legislation.

The Board bases its investment policy decisions on comprehensive research, input from expert advisors and thorough discussion among Board members.

The Board oversees the administration of the Plan and the investment strategy used to manage the pension fund. Membership includes representatives of Plan members and Plan employers as well as superannuates.

Board Composition

Bill Hyde, Chair
Vice-President, Human Resources, SaskPower

Myron Gulka-Tiechko, Vice-Chair
Vice-President, General Counsel, SaskPower

Wendy McCullough
Director, Compensation and Benefits,
SaskEnergy representative

Ken Pielak
Employee representative (CEP), SaskEnergy

Grant Ring
Treasurer, SaskPower

Brian Ross
Employee representative (IBEW), SaskPower

Jack Shepherd
Superannuate representative,
Power Pioneer Association Inc.

Mel Watson, a member of the SaskPower Board of Directors, served in an observer capacity throughout 2003.

Board Training

Board members bring diverse experiences and attributes to the Plan. It is important that all Board members remain current with respect to the many issues surrounding prudent management of a pension plan. To this end, approval was granted in April 2002 for up to $5,000 to be allocated to each Board member for training and development. These fees are paid by the Plan.

The following is a summary of Board member training costs:

		Cost
Myron Gulka-Tiechko		
Toronto, ON	4th Annual Pension Governance Course	$ 2,699
Jack Shepherd		
Vancouver, BC	Advanced Trustee Management Standards Part II	2,237
Vancouver, BC	Canadian Fundamentals for Trustees Conference	2,046
		4,283
Wendy McCullough		
Orlando, FL	36th Annual Canadian Employee Benefits Conference	3,986
Ken Pielak		
Orlando, FL	36th Annual Canadian Employee Benefits Conference	4,250
Brian Ross		
Regina, SK	CPBL - Saskatchewan Seminar	100
Calgary, AB	West Regional Conference	2,201
		2,301
Total		$ 17,519

Board members serve in a voluntary capacity and do not receive compensation for their services from the Plan. They are however reimbursed for travel-related expenses by the Plan sponsor, SaskPower.

Board and Management

Although the Board is responsible for overseeing the administration of the Plan, SaskPower management is responsible for day-to-day operations. Management is expected to act within Board approved policies and directives.

SaskPower staff are involved in monitoring the activities of the investment managers and reviewing the asset mix on a monthly basis. They also serve as the primary contacts for member queries. SaskPower management reports to the Board on a regular basis, providing details of financial transactions, investments, retirement benefit activity and overall Plan performance.

Independent Experts

The Statement of Investment Policies and Goals (the Policy) provides guidelines for the investment and monitoring of Plan assets. The investment guidelines were established to earn the best possible return on investments based on a level of risk acceptable to the Board. The Board reviews the policy annually and changes are made as necessary.

The Policy outlines a governance structure that allows the Board to retain the services of independent experts to assist them in fulfilling their responsibilities. The Board retains independent actuarial, investment and accounting professionals and an independent custodian.

The Board is required to meet semi-annually with the investment advisor and each of the investment managers to discuss investment performance, strategies and expected future performance. As well, the Board meets with the actuary to review assumptions and valuation results and with the Plan's external auditor before and after the annual audit of the financial statements.

In 2003, the Board convened quarterly to review the financial results and the performance of the Plan as well as retirement benefit activity.

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Investment Managers

Investment managers at December 31, 2003, were:

ASSET CLASS	INVESTMENT MANAGER
Canadian equity	Jarislowsky Fraser Limited
Canadian equity and bond	Greystone Capital Management Inc.
Global equity	Templeton Management Limited
International equity	Goldman Sachs (affiliate of Greystone Capital Management Inc.)
U.S. S&P 500 equity index	Northwater Capital Management Inc.

Investment managers are chosen with respect to their expertise and style within a particular asset class. The Board has a formal agreement with each investment manager that contains an investment mandate formulated to optimize the risk/return profile for each asset class for which the manager is responsible. The investment managers devise and implement an investment strategy within their mandates and report the results to the Board on a quarterly basis.

Investment Advisor

The Board has retained Towers Perrin to provide an analytical review of the total fund, asset classes and the investment managers' performance, relative to peers and Plan benchmarks. The investment advisor monitors each manager's style and risk characteristics, comments on the acceptability of performance and advises the Board on overall investment policy and management that would best achieve the Plan objectives.

Custodian

In 2002, the Board selected RBC Global Services (RBC) to serve as the Plan's custodian. As custodian, RBC holds custody of the assets of the Plan and is responsible for executing investment transactions and collecting income. The custodian ensures that investment income is collected and provides record-keeping services for the Plan. The custodian also monitors the investments held in the Plan to ensure they are in compliance with both the individual investment manager mandates and the Plan's overall statement of investment policies and goals.

Actuary

The role of Aon Consulting Inc. is to prepare actuarial valuations for accounting purposes annually and for funding purposes every three years. The most recent funding valuation took place in 2003. The actuary also provides the Board with information regarding administration of the Plan, and makes recommendations related to policies on benefits and funding. The actuarial opinion and cost certificate is found on page 14.

Auditors

External auditors are contracted to perform annual audits of the Plan's fiscal year-end financial statements prepared by SaskPower management. The audit focuses on the existence, completeness and valuation of Plan assets; the measurement of Plan income and expenses; and the fairness of presentation in accordance with Canadian generally accepted accounting principles. In accordance with professional standards, the auditor communicates with the Plan's actuary and reviews the actuarial report for consistency with other information reviewed in the course of the audit.

Deloitte & Touche LLP conducted an independent examination of the Plan's year-end financial statements. The firm's professional opinion on the financial statements is found in its auditors' report attached to the financial statements. The Provincial Auditor also reviews the financial statements and overall Plan governance on an annual basis.

Investment Highlights

Investment Strategy

The investment objective of the Plan is to meet current and future pension payment obligations. The assets of the Plan are invested in a diversified portfolio that will generate adequate and consistent returns to meet both current and future financial obligations. The funds are placed with a number of investment managers who then invest in a wide range of securities and asset classes. Each manager is assigned a specific sector, including Canadian equities and bonds, and progress is monitored against a pre-determined benchmark. By combining different types of investments in a portfolio, fluctuations in the markets are minimized and the risk of having a large loss is reduced.

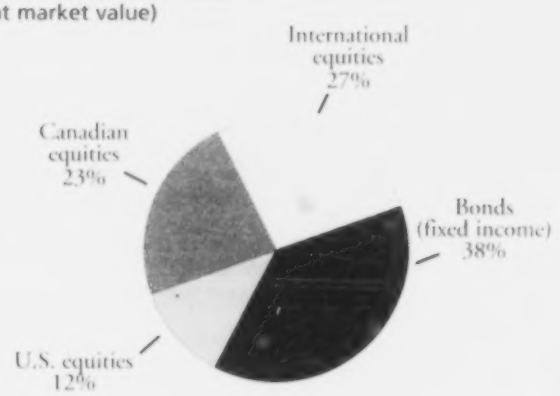
Investment Policy

The Plan has a Statement of Investment Policies and Goals approved by the members of the Power Corporation Superannuation Board. The policy reflects the philosophy of diversification and protection of capital and provides guidance to the investment managers. The purpose of the Policy is to outline investment principles, guidelines and monitoring procedures that are appropriate for Plan governance. The Policy conforms to applicable legislation and the specific characteristics of the Plan.

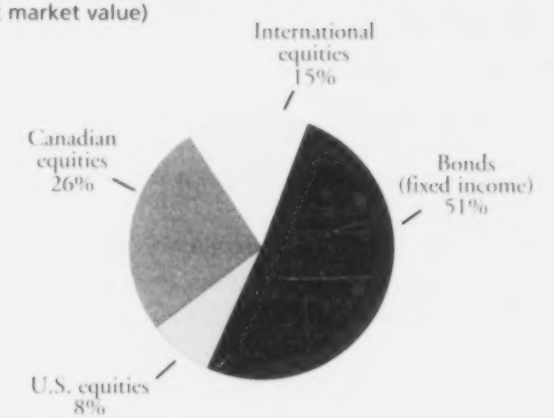
During 2003, the Board approved a new target asset mix of 65% equity/35% fixed income, up from 55% equity/45% fixed income in 2002. The actual mix at any one time, however, may differ from this target due to fluctuations in the market. Foreign equity content is set at 30% based on book value.

The following two graphs show the actual allocation of assets for both 2003 and 2002:

Asset Allocation 2003
(at market value)



Asset Allocation 2002
(at market value)



The policy has the following objectives:

- to ensure the Plan has sufficient assets to meet future pension obligations;
- to optimize the risk/return relationship of the Plan; and
- to generate sufficient cash flow to meet ongoing pension payments.

Monitoring Plan performance is a key activity in supporting the investment objectives. The Policy outlines a benchmark portfolio comprised of market index assets weighted at the same asset allocation that is normal for the Plan. While broadly diversified, the benchmark portfolio emphasizes equity investments over fixed income on the basis of substantial evidence that, over time, equities provide superior returns. The Plan's primary objective is to achieve a return superior to the following asset mix benchmark:

Benchmark Portfolio Composition

ASSET CLASS	MARKET INDEX	WEIGHT
Bonds	*Scotia Capital Markets Universe*	*35%*
Canadian equities	*Nesbitt Burns TSX 10% capped index*	*25%*
International equities	*Morgan Stanley Capital EAFE index*	*12%*
Global equities	*Morgan Stanley World Index*	*16%*
U.S. equities	*Standard & Poor's 500 total return index*	*12%*
		100%

A secondary objective for the Plan return is to achieve a long-term rate of return of the average increase in the CPI for Canada plus 4% per annum. These two objectives should be viewed as an average annual compound rate to be sought over one or more complete capital market cycles, i.e., over a four- to ten-year period.

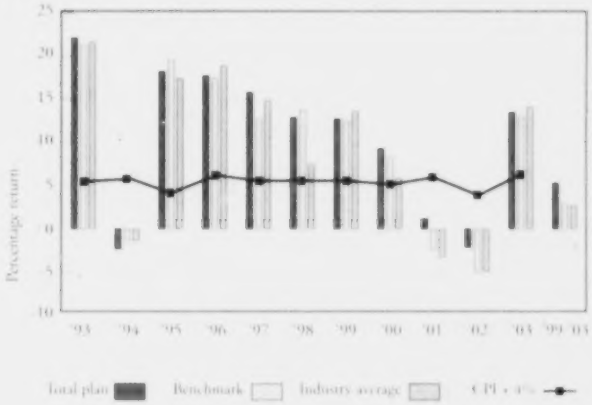
To ensure diversification and risk control, the Policy sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, debt ratings and bond duration. The Plan's foreign content is 29.0% (based on book value) and remains within Canada Revenue Agency's foreign content limit.

Investment Performance

The Plan's performance is measured by comparing its return to that of the benchmark portfolio. Measuring performance against other pension plans is also a useful indication of investment performance. During 2003, the return on Plan assets of 13.5% was near the median of all pension plan returns in Canada. This was above the benchmark average of 13.0% but slightly below the industry average of 14.1%.

A common standard within the pension fund industry is to calculate performance on a four-year cycle. This longer-term measure has greater relevance and lower volatility than a one-year measurement. Over the period 2000-2003, the Plan averaged an annual return of 5.3% as compared to the industry average mix return of 2.7% and the benchmark portfolio return of 2.9%.

Plan Performance



The graph illustrates that returns fluctuate from year to year. The underlying volatility of individual asset class returns is even more pronounced. The Policy sets out a diversification strategy designed to mitigate the effects of this volatility. As a result, the Plan's returns have historically been more stable than the returns of any single asset class. Additionally, Plan returns have been achieved at risk levels that are lower than the average pension fund portfolio.

Financial Highlights

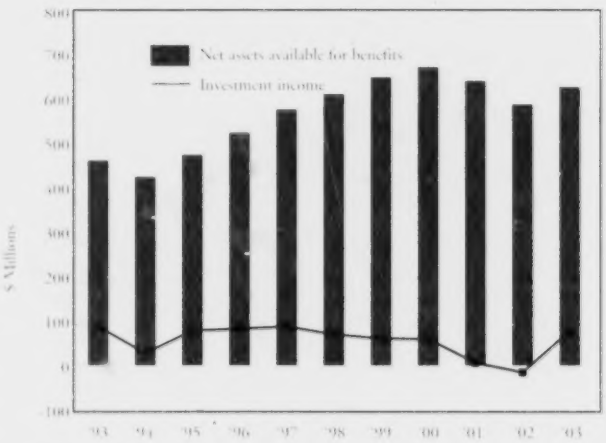
Financial markets around the world rebounded strongly in 2003 after three years of negative returns. Low interest rates and strong consumer spending helped increase corporate earnings and improve investor confidence.

The Plan's net assets available for benefits totalled $684 million as at December 31, 2003, a net increase of $43 million over the previous year. This increase is attributable to the following:

CHANGES IN NET ASSETS (in millions)	2003	2002
Income		
Investment income	*$ 23*	*$ 25*
Increase (decrease) in market values of investments	*59*	*(45)*
Contributions	*2*	*3*
	84	*(17)*
Expenditures		
Superannuation allowances	*39*	*38*
Administrative expenses	*2*	*2*
	41	*40*
Increase (decrease) in net assets	*$ 43*	*$ (57)*

In 2003, the Plan paid approximately $39 million in benefits and $2 million in administrative expenses. The administrative expenses represent fees paid to the investment managers and custodian for managing and recording the Plan's investments. These fees are based on the market value of assets under management. The cost of these services is 0.24% of the market value of the total assets in 2003, the same percentage as the previous year.

Plan Growth



Actuarial Valuation

The obligation of any defined benefit pension plan is to fulfill its pension promise, a promise to provide lifetime periodic payments to eligible retired members. Meeting the promise requires a sound financial base. To assess the financial status of the Plan, an actuarial valuation for accounting purposes is performed annually.

Pension plans are unique in terms of the financial reporting of assets and liabilities. Pension plans must be able to meet financial obligations – in the form of benefits – that may not be paid for many years. As a result, the Plan's liabilities are determined on an actuarial basis. The Plan's assets are determined using market prices.

ACTUARIAL DEFICIT (in millions)	2003	2002
Net assets available for benefit	*$ 684*	*$ 641*
Accrued pension benefits	*705*	*675*
(Deficit)	*$ (21)*	*$ (34)*

In 2003, the Plan recognized an actuarial deficit of $21 million for financial statement reporting purposes, compared to a deficit of $34 million for the previous year. The accrued pension benefits increased by $30 million due largely to changes in actuarial assumptions. Net assets available for benefits increased by $43 million due primarily to an increase in the market value of the Plan's investments.

Although the Plan is currently in a deficit position, the pensions of all Plan members are guaranteed by SaskPower, regardless of the financial performance of the Plan's assets. Any deficiencies to superannuation allowances shall be met by payments from the revenues of SaskPower.

Actuarial Methodology and Assumptions

In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and the future events are deemed to occur according to these assumptions. This methodology is called a best estimate actuarial valuation because it attempts to arrive at the most likely outcome.

The economic assumptions are based on published five-year forecasts, investment policy and specific characteristics of the Plan membership, with extrapolation to the end of the benefit period.

BEST ESTIMATE VALUATION ECONOMIC ASSUMPTIONS	2003-04	2005+
Discount rate	*6.25%*	*6.25%*
Expected rate of return on Plan assets	*7.00% - 7.20%*	*7.00%*
Long-term rate of compensation increases	*4.00%*	*4.00%*
Long-term inflation rate	*3.00%*	*3.00%*
Ad hoc increases (% of CPI)	*50.00%*	*50.00%*

To value the liabilities, the actuary examines the Plan's demographics – the age, length of service and salary ranges of the membership. Information is processed on active members, deferred members and pensioners, and surviving spouses who receive benefits from the Plan. In addition, mortality, disability, and termination of employment data are reviewed and factored into the valuation assumptions.

While the actuarial assumptions used to estimate the Plan's liabilities are a best estimate of future events, it is inevitable that the Plan's future experience will differ from the estimates. Any differences between the actuarial assumptions and future experience will emerge as gains or losses and will affect the financial position (surplus or deficit) of the Plan. For example, if the actual inflation rate differs from the assumed rate by 0.5%, the pension liability and the financial position will change by $19 million.

Actuarial Opinion and Cost Certificate

Aon Consulting Inc. was retained by the Power Corporation Superannuation Board (the Board) to perform an actuarial valuation of the assets and the liabilities of the Power Corporation Superannuation Plan (the Plan) as at September 30, 2003, for accounting information purposes based on Section 3461 of the CICA Handbook. As part of the valuation, we examined the Plan's recent experience with respect to the non-economic assumptions and presented our findings to the Board. In addition, we provided the Board with a statistical survey and other information used to develop their long-term economic assumptions. The discount rate used for accounting purposes was determined in accordance with Section 3461 of the CICA Handbook.

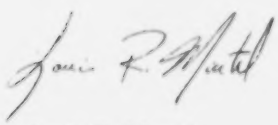
The valuation of the Plan's actuarial liabilities was based on:

- membership data provided by the Saskatchewan Power Corporation as at September 30, 2003;
- methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- assumptions about future events (for example, future rates of inflation) which represent management's best estimate of these events.

The objective of the financial statements is to fairly represent the financial position of the Plan on September 30, 2003, as a going concern. While the actuarial assumptions used to estimate liabilities for the Plan's financial statements represent management's best estimate of future events with the important exception of the discount rate, and while in our opinion these assumptions are reasonable, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations, and will affect the financial position of the Plan, and the contributions required to fund it, at that time.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation. We also believe that the methods employed in the valuation are appropriate and the assumptions are, in aggregate, reasonable for the purposes of the valuation. Our opinions have been given, and our valuation has been performed, in accordance with accepted actuarial practice.

The results of our accounting actuarial valuation disclosed total actuarial liabilities of $701,410,000 in respect of benefits accrued for service prior to September 30, 2003. The market value of assets at that date was $648,319,000 indicating an accounting actuarial deficit of $53,091,000. The total cost of benefits to be accrued in the twelve months following September 30, 2003, is $7,431,000 as at September 30, 2003.



Louis R. Martel
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries
Chartered Financial Analyst

Report of Management

Management is responsible for the integrity of the financial data reported by the Plan. Fulfilling this responsibility requires the preparation and presentation of financial statements and other data using management's best judgement, estimates and appropriately selected accounting principles applied on a basis consistent with the preceding year.

Management maintains appropriate systems of internal control, including corporate-wide policies and procedures and an internal audit program, which provide reasonable assurance that the Plan's assets are safeguarded and that financial records are relevant and reliable.

The Board ensures that management fulfills its responsibility for financial reporting and internal control. The Board meets regularly to review audit, internal control and financial reporting matters with management and external auditors. The Board has reviewed the financial statements.

On behalf of Management,

William P. Hyde
Vice-President, Human Resources
SaskPower

Grant Ring
Treasurer, Corporate and Financial Services
SaskPower

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits and accrued pension benefits and deficit of the Power Corporation Superannuation Plan as at December 31, 2003, and the statements of changes in net assets available for benefits and accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and deficit of the Plan as at December 31, 2003, and the changes in the net assets available for benefits and accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants,
Regina, Saskatchewan
March 5, 2004

Power Corporation Superannuation Plan

Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Deficit

As at December 31

(in thousands)	2003	2002
Assets		
Investments, at market (Schedule of investments)		
Short-term securities	$ 108,690	$ 54,652
Bonds	230,403	321,543
Equities	344,467	259,286
	683,560	635,481
Receivables		
Employees' contributions	40	41
Sponsors' contributions	48	49
Accrued investment income	2,200	3,627
Other receivables	29	9,298
	2,317	13,015
Cash	6,687	1,161
Total assets	692,564	649,657
Liabilities		
Accounts payable	9,002	8,860
Net assets available for benefits	$ 683,562	$ 640,797
Accrued pension benefits and deficit		
Accrued pension benefits, end of year	$ 704,437	$ 674,463
Deficit	(20,875)	(33,666)
Accrued pension benefits and deficit	$ 683,562	$ 640,797

See accompanying notes

On behalf of the Board:

William P. Hyde, Chair

Grant Ring

Power Corporation Superannuation Plan

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31

(in thousands)	2003	2002
Increase in net assets		
Investment income		
Interest		
Short-term securities	$ 321	$ 1,676
Bonds (Note 6)	15,618	17,888
Miscellaneous income	16	4
	15,955	19,568
Dividends	6,708	5,427
	22,663	24,995
Increase (decrease) in market values of investments (Note 8)	58,916	(44,975)
Contributions (Note 5)		
Employees'	1,781	1,860
Sponsors'	498	598
Transfers	-	272
	2,279	2,730
Total increase (decrease) in net assets	83,858	(17,250)
Decrease in net assets		
Superannuation allowances	39,451	38,693
Refunds on terminations	-	62
Administrative expenses (Notes 6 and 7)	1,642	1,519
Total decrease in net assets	41,093	40,274
Increase (decrease) in net assets	42,765	(57,524)
Net assets available for benefits, beginning of year	640,797	698,321
Net assets available for benefits, end of year	$ 683,562	$ 640,797

See accompanying notes

Power Corporation Superannuation Plan

Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Deficit

As at December 31

(in thousands)	2003	2002
Assets		
Investments, at market (Schedule of investments)		
Short-term securities	$ 108,690	$ 53,652
Bonds	230,403	321,543
Equities	344,467	260,286
	683,560	635,481
Receivables		
Employees' contributions	40	41
Sponsors' contributions	48	39
Accrued investment income	2,200	3,617
Other receivables	29	9,298
	2,317	13,015
Cash	6,687	1,161
Total assets	692,564	649,657
Liabilities		
Accounts payable	9,002	8,864
Net assets available for benefits	$ 683,562	$ 640,793
Accrued pension benefits and deficit		
Accrued pension benefits and deficit	$ 704,437	$ 671,063
Deficit	(20,875)	(30,270)
Accrued pension benefits and deficit	$ 683,562	$ 640,793

William P. Hyde, Chair

Tarun Ring

Power Corporation Superannuation Plan

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31

(in thousands)	2003	2002
Increase in net assets		
Investment income		
Interest		
Short-term securities	$ 321	$ 1,676
Bonds	15,618	17,688
Miscellaneous income	16	4
	15,955	19,368
Dividends	6,708	5,427
	22,663	24,795
Increase (decrease) in market values of investments (Note 8)	58,916	(44,975)
Contributions		
Employees	1,781	1,860
Sponsors	498	598
Transfers	-	272
	2,279	2,730
Total increase (decrease) in net assets	83,858	(17,450)
Decrease in net assets		
Superannuation allowances	39,451	38,693
Refunds on terminations	-	62
Administrative expenses (Note 10)	1,642	1,819
Total decrease in net assets	41,093	40,574
Increase (decrease) in net assets	42,765	(58,024)
Net assets available for benefits, beginning of year	640,797	698,821
Net assets available for benefits, end of year	$ 683,562	$ 640,797

Power Corporation Superannuation Plan

Statement of Changes in Accrued Pension Benefits

For the year ended December 31

(in thousands)	2003	2002
Accrued pension benefits, beginning of year	$ 674,463	$ 640,650
Increase in accrued pension benefits		
Interest on accrued benefits	43,338	43,204
Changes in actuarial assumptions	19,156	23,415
Benefits accrued	7,701	7,322
	70,195	73,941
Decrease in accrued pension benefits		
Benefits paid	39,390	39,241
Experience gains and other	831	887
	40,221	40,128
Accrued pension benefits, end of year	$ 704,437	$ 674,463

See accompanying notes

Power Corporation Superannuation Plan

Statement of Changes in Accrued Pension Benefits

For the year ended December 31

(in thousands)	2003	2002
Accrued pension benefits, beginning of year	$ 674,463	$ 640,650
Increase in accrued pension benefits		
Interest on accrued benefits	43,338	43,204
Changes in actuarial assumptions	19,156	23,415
Benefits accrued	7,701	7,322
	70,195	73,941
Decrease in accrued pension benefits		
Benefits paid	39,390	39,241
Experience gains and other	831	887
	40,221	40,128
Accrued pension benefits, end of year	$ 704,437	$ 674,463

See accompanying notes

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

1. DESCRIPTION OF PLAN

The following description of The Power Corporation Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to *The Power Corporation Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

a) General

The Plan is a defined benefit pension plan maintained by Saskatchewan Power Corporation (the Corporation) for those employees who were hired prior to October 1, 1977, and who did not elect to transfer to the Public Employees Pension Plan, a defined contribution plan, before October 1, 1978. The Plan is administered by a seven-person Board appointed by the Lieutenant-Governor in Council.

b) Members' Contributions

Plan members contribute a percentage of their salary, at a rate based on their age when they became a contributor to the Plan following their most recent date of employment, and any agreements for an employee group, less a reduction for Canada Pension Plan integration. An employee makes no further contributions after 35 years of pensionable service.

c) Retirement Allowances

The Plan provides an unreduced retirement allowance at age 65 with at least 5 years pensionable service, at age 60 with at least 20 years pensionable service, or upon completion of 35 years pensionable service.

Retirement allowances are based on 2% of the best five-year average salary multiplied by the years of pensionable service, up to a maximum of 35 years. At age 65, the retirement allowance is reduced due to integration with the Canada Pension Plan from January 1, 1966.

Employees may retire with a reduced retirement allowance at age 55 with at least 30 years pensionable service, or at age 60 with at least 15 years pensionable service.

The Lieutenant-Governor in Council may increase retirement allowances up to the average of the CPI for Saskatoon and Regina in the preceding year. Increases are subject to the maximum increase permitted under *The Income Tax Act*.

d) Survivors' Allowances

Death benefits are available to a qualifying surviving spouse in the form of a survivor allowance. A qualifying surviving spouse is the spouse at the time of retirement. The retirement allowance paid to the spouse will be based upon the member's selection at retirement or at the time of conversion.

For members whose marital status has changed after retirement, effective June 27, 2003, retired members may apply to convert their retirement allowance in order to recognize a new spouse, provided certain criteria are met.

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

Members may select the basic allowance that will pass 60% of the retirement allowance that they received to their spouse. Effective June 25, 1996, for death prior to age 65, the surviving spouse will receive 60% of the deceased member's lifetime retirement allowance, plus 60% of the bridge benefit – the amount due to Canada Pension Plan integration – until the member would have turned age 65.

Alternatively, members may select the 75% (effective April 1, 2002) or the 100% option. The spouse will receive 75% or 100% of the lifetime retirement allowance, plus 75% or 100% of the bridge benefit, the amount due to Canada Pension Plan integration, until the member would have turned age 65.

Additional survivor benefits for dependent children may apply.

If no one is eligible to receive a survivor's allowance from the Plan, then the total of the member's contributions, plus legislated interest, less any retirement allowances paid up to the member's time of death, will be paid to the member's estate.

e) Deferred Allowances

An employee who is at least 30 years of age and has at least 10 years continuous pensionable service may elect to receive a deferred allowance upon ceasing employment with the Corporation.

Subject to re-employment limitations pursuant to *The Superannuation (Supplementary Provisions) Act*, the earliest that a deferred member with at least 10 years pensionable service and up to 20 years pensionable service may commence a retirement allowance, is at age 65. The earliest that a deferred member with greater than 20 years pensionable service may commence a retirement allowance, is at age 60.

f) Refunds and Transfers

Upon ceasing employment and prior to becoming eligible to receive an unreduced retirement allowance, Plan members may elect to receive a refund of their contributions plus legislated interest, as a lump-sum payment less statutory deductions, a transfer to their registered retirement savings plan or a transfer pursuant to the terms of an existing reciprocal agreement to another registered pension plan. Members, or their family, who elect a refund whether by lump-sum payment or transfer have no further claim to the Plan.

g) Other Benefits

Under certain circumstances, members may purchase additional credited service in the Plan.

h) Income Taxes

The Plan is a registered pension plan as defined in *The Income Tax Act* and is not subject to income taxes. Retirement allowances paid from the Plan are subject to source deductions that are withheld by SaskPower and remitted to Canada Revenue Agency.

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered to be significant:

a) Basis of Presentation

These financial statements present the financial position and results of operations of the Plan as a separate financial reporting entity independent of the Corporation and Plan members.

b) Investments

Investments are recorded as of the trade date and are stated at fair value. Fair value is the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing partners who are under no compulsion to act.

Bonds and equities are valued using year-end market quotations. Short-term securities are valued at cost, which approximates market. Pooled funds are valued based on the quoted market price of the underlying investments.

c) Investment Income

Investment income consists of interest on bonds, short-term securities and mortgages which is recognized as it accrues and dividend income which is recognized as of the ex-dividend date.

d) Foreign Exchange

Foreign investment purchases, sales, and income are recorded in Canadian dollars at exchange rates in effect at the transaction date. Foreign-denominated investments and accrued investment income are translated at year-end exchange rates. The unrealized gains and losses arising from this translation are included in the statement of changes in net assets available for benefits as part of the increase (decrease) in market value of investments.

3. INVESTMENTS

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from maturing bonds and investment returns into a diversified pool of assets such as Canadian and foreign equities, money market securities and bonds. During the year, the Plan moved from a target asset mix of 55% equity/45% fixed income to 65% equity/35% fixed income.

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. Interest rate risk is managed by investing in a portfolio of fixed term securities with varying durations.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. The value of liabilities, as measured in current dollars, is subject to fluctuations of long-term interest rates.

b) Market Risk

The Plan invests in publicly traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Plan manages market risk by investing in different domestic and foreign markets and through the establishment and review of asset mix ranges and limits for various investments. The Plan does not use derivative financial instruments, except for the use of U.S. dollar future contracts on short-term securities as noted below.

c) Credit Risk

Credit risk arises from the potential for an investee or for a counterparty to default on its contractual obligation to the Plan. The Plan limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the following securities are based on the Dominion Bond Rating Service.

Short-Term Securities

The Plan invests in short-term securities that have an R1 (high quality) or equivalent rating. At December 31, 2003, the Plan held Canadian dollar denominated investments of $27 million (2002 – $7 million) maturing within 2 to 266 days (2002 – 2 to 142 days) at yields of 2.6% to 2.8% (2002 – 2.6% to 2.9%) and U.S. dollar denominated investments of $82 million (2002 – $48 million) maturing within 2 to 76 days (2002 – 50 to 76 days) at yields of 0.9% to 1.8% (2002 – 1.2% to 1.4%).

The U.S. dollar denominated investments are part of an indexing strategy to earn investment returns based on the S&P 500 index using S&P 500 index futures. At December 31, 2003, the Plan's notional amount of futures contracts was $82 million ($64 U.S. million). At December 31, 2002, the Plan's notional amount of futures contracts was $49 million ($31 U.S. million). Notional amounts are not recorded as assets or liabilities in the financial statements. They represent the amount to which a rate or price is applied to determine the amount of cash flows to be exchanged.

Exposure to credit risk is limited as these transactions are standardized contracts executed on established exchanges. The futures contracts are accounted for at market value adjusted daily and gains or losses are included in the increase in market value of investments.

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

Bonds

The Plan invests in bonds, considered to be high quality, as follows:

(in thousands)		2003		2002	
	Years to Maturity	Market Value	Average Yield (%)	Market Value	Average Yield (%)
Government of Canada and federally-guaranteed	1-5	$ 54,790	4.18	$ 98,270	5.42
	6-10	38,355	5.00	25,679	5.42
	11-15	-	-	6,072	5.25
	20+	33,641	5.30	40,230	5.71
Total		126,786		170,251	
Provincial and provincially-guaranteed	1-5	12,833	5.93	31,046	5.62
	6-10	19,776	5.65	13,290	5.85
	11-15	5,309	5.53	4,610	5.89
	20+	18,889	5.74	23,696	6.22
Total		56,807		72,642	
Corporate	1-5	21,856	5.30	41,491	6.24
	6-10	11,077	5.58	19,908	6.85
	11-15	3,303	5.40	5,647	7.00
	16-20	3,801	5.97	4,004	6.07
	20+	6,773	5.62	7,600	6.47
Total		46,810		78,650	
Total bonds		$ 230,403		$ 321,543	

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

Bonds

The Plan invests in bonds, considered to be high-quality, as follows:

(in thousands)		2003		2002	
	Years to Maturity	Market Value	Average Yield (%)	Market Value	Average Yield (%)
Government of Canada and federally-guaranteed	1-5	$ 54,790	4.18	$ 98,270	5.42
	6-10	38,355	5.00	25,679	5.42
	11-15	-	-	6,072	5.25
	20+	33,641	5.30	40,230	5.71
Total		126,786		170,251	
Provincial and provincially-guaranteed	1-5	12,833	5.93	31,046	5.62
	6-10	19,776	5.65	13,290	5.85
	11-15	5,309	5.53	1,610	5.89
	20+	18,889	5.74	23,696	6.22
Total		56,807		73,642	
Corporate	1-5	21,856	5.30	41,491	6.24
	6-10	11,077	5.58	19,908	6.85
	11-15	3,303	5.40	5,647	7.00
	16-20	3,801	5.97	4,004	6.07
	20+	6,773	5.62	7,600	6.47
Total		46,810		78,650	
Total bonds		$ 230,403		$ 321,543	

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

Credit Rating

Federal and federally guaranteed bonds have a credit rating of AAA. Provincial and provincially-guaranteed bonds have a credit rating range of BBB to AA. Corporate bonds have a credit rating range of BBB to AAA. The Plan has established quality standards for corporate fixed income issues as follows:

DEBT RATING	MAXIMUM % OF FIXED INCOME PORTFOLIO
BBB	*20%*
A	*40%*
AA or higher	*no limit*

At December 31, 2003, the Plan's bond portfolio was comprised of $9 million (4%) in BBB, $47 million (20%) in A, and $175 million (76%) in AA or higher. In 2002, the Plan held $9 million (3%) in BBB, $77 million (24%) in A, and $235 million (73%) in AA or higher.

Equities

The Plan's equity investments are held as portfolio investments and are generally readily marketable. Under current Canada Revenue Agency regulations, the Plan is limited as to the amount of money that can be invested outside Canada. In 2003, this limit was set at 30% of total equity. During the year, 29% (2002 – 19%) of the Plan's total equity was considered foreign content. The 13% of Plan assets invested in Northwater's S&P 500 index portfolio are not considered foreign content as the underlying investments in the portfolio are Canadian money market investments denominated in U.S. dollars.

Investments are generally limited to stocks that are publicly traded on a recognized securities market. The Plan's equities include common shares that have no fixed maturity date and are generally not directly exposed to interest rate risks. Dividends are generally declared on a quarterly basis.

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

Pooled Funds

The following is a breakdown of specific equities held in the Plan with a market value exceeding $5 million:

Corporate Shares

SECURITY NAME	SHARES (in thousands)	MARKET VALUE (in thousands)
Bank of Nova Scotia	*159*	*$ 10,465*
Manulife Financial Corporation	*196*	*8,211*
TransCanada Corporation	*245*	*6,824*
Encana Corporation	*120*	*6,096*
Talisman Energy Inc.	*83*	*6,095*
Cameco Corp	*77*	*5,786*
Jarislowsky Fraser Special Equity Pooled Fund	*268*	*5,689*
Royal Bank of Canada	*91*	*5,645*
SNC-Lavalin Group Inc.	*99*	*5,054*

In 2003, the Plan held $88 million (2002 – $49 million) in pooled funds. A pooled fund is a group of individual securities managed by an investment manager. The unit price of the pooled fund is determined by the overall performance of each of the stocks in the fund.

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

d) Foreign Currency Risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies result in a positive or negative effect on the fair value of investments.

	Investments		% of Plan Investments	
(in thousands of Canadian dollars)	2003	2002	2003	2002
Canadian short-term securities denominated in U.S. dollars (1)	$ 81,798	$ 47,850	12.0	7.5
Global equities (2)	102,689	50,543	15.0	8.0
Non-North American pooled fund (3)	82,809	43,331	12.1	6.8
Total foreign currency exposure	$ 267,296	$ 141,724	39.1	22.3

(1) These investments are part of an indexing strategy which Northwater Capital Management Inc. was retained to manage. The intent of the indexing strategy is to replicate the S&P 500 index total returns.

(2) Templeton Management Limited was retained to invest Plan assets in international equities on a segregated basis.

(3) These assets are pooled equity funds and are part of the Greystone Capital Management Inc. (GCMI) mandate. GCMI has delegated the management of these funds to Goldman Sachs.

4. OBLIGATIONS FOR PENSION BENEFITS

The present value of accrued pension benefits is determined using the projected benefit method prorated on service and reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing up to the rate of inflation. An actuarial valuation for accounting purposes was prepared as of September 30 for both years by Aon Consulting Inc. and was then extrapolated to December 31 of each year.

The actuarial present value of accrued pension benefits is deducted from the net assets available for benefit to calculate the (deficit)/surplus.

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

The assumptions used in determining the actuarial value of accrued pension benefits may change from year to year depending on current and long-term market conditions. The following is a summary of the actuarial assumptions:

	2003	2002
Discount rate	6.25%	6.50%
Expected rate of return on Plan assets	7.00%	7.20%
Long-term inflation rate	3.00%	3.00%
Long-term rate of compensation increases	4.00%	4.00%
Remaining service life (years)	5.75	6.31

The current year and previous year valuations assume pensions will be indexed in the future by the Lieutenant-Governor in Council at 50% of the annual rate of increase in the CPI.

If future pensions are indexed at 40% of the annual rate of increase in the CPI, the actuarial present value of benefits would decrease by $21 million. With future pension indexing at 60% of the rate of increase in the CPI, the actuarial present value of benefits would increase by $22 million.

Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. As at December 31, 2003, assuming constant inflation and salary escalation assumptions, a 0.5% change in the discount rate would result in a change in the pension liabilities of approximately 5.2%.

5. FUNDING POLICY

In accordance with *The Power Corporation Superannuation Act*, the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. Some Plan members are employees of other corporations that have been designated by the Lieutenant-Governor in Council as institutions. For these corporations, effective June 28, 2001, an actuary will determine the required employer contribution for their active Plan members.

d) Foreign Currency Risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies result in a positive or negative effect on the fair value of investments.

	Investments		% of Plan Investments	
(in thousands of Canadian dollars)	2003	2002	2003	2002
Canadian short-term securities denominated in U.S. dollars (1)	$ 81,798	$ 47,850	12.0	7.5
Global equities (2)	102,689	50,543	15.0	8.0
Non-North American pooled fund (3)	82,809	43,331	12.1	6.8
Total foreign currency exposure	$ 267,296	$ 141,724	39.1	22.3

(1) These investments are part of an indexing strategy which Northwater Capital Management Inc. was retained to manage. The intent of the indexing strategy is to replicate the S&P 500 index total returns.

(2) Templeton Management Limited was retained to invest Plan assets in international equities on a segregated basis.

(3) These assets are pooled equity funds and are part of the Greystone Capital Management Inc. (GCMI) mandate. GCMI has delegated the management of these funds to Goldman Sachs.

4. OBLIGATIONS FOR PENSION BENEFITS

The present value of accrued pension benefits is determined using the projected benefit method prorated on service and reflects management's best estimates of future investment performance, wage and salary escalation, age of retirement and future pension indexing up to the date of inflation. An actuarial valuation for funding purposes was prepared as of September 30 for both years by Aon Consulting, Inc. and updated to extrapolate to December 31 of each year.

The accrued pension obligation of accrued pension benefits is deducted from the net assets available for benefits to arrive at the deficit amounts.

Notes to the Financial Statements

The assumptions used in determining the actuarial value of accrued pension benefits may change from year to year depending on current and long-term market conditions. The following is a summary of the actuarial assumptions:

	2003	2002
Discount rate	6.25%	6.50%
Expected rate of return on Plan assets	7.00%	7.20%
Long-term inflation rate	3.00%	3.00%
Long-term rate of compensation increases	4.00%	4.00%
Remaining service life (years)	5.75	6.31

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If future pensions are indexed at 40% of the annual rate of increase in the CPI, the actuarial present value of benefits would decrease by $21 million. With future pension indexing at 60% of the rate of increase in the CPI, the actuarial present value of benefits would increase by $22 million.

Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. As at December 31, 2003, assuming constant inflation and salary escalation assumptions, a 0.5% change in the discount rate would result in a change in the pension liabilities of approximately 5.2%.

5. FUNDING POLICY

In accordance with *The Power Corporation Superannuation Act*, the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. Some Plan members are employees of other corporations that have been designated by the Lieutenant Governor in Council as institutions. For these corporations, effective June 28, 2001, an actuary will determine the required employer contribution for their active Plan members.

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

6. RELATED PARTY TRANSACTIONS

a) Administration

As indicated in Note 7, certain administration costs are paid by the Corporation.

b) Investments

	Investments		Investment Income	
(in thousands)	2003	2002	2003	2002
Province of Saskatchewan bonds	$ 7,335	$ 4,136	$ 239	$ 205

7. ADMINISTRATION COSTS

The Superannuation (Supplementary Provisions) Act permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan.

a) Administration

The costs to administer the Plan are borne by the Corporation and are therefore not reflected in the Plan's financial statements. The costs typically paid for by the Corporation include audit, actuarial and consulting fees as well as general administration costs. However, investment management and custodial fees are paid by the Plan. In 2003, the Corporation paid $85,109 (2002 – $75,502) for costs relating to the Plan. These figures do not include salaries paid to employees of the Corporation who serve as staff advisors or administrators of the Plan.

The Board has developed, with the assistance of its consultant, Towers Perrin, specific investment policies and guidelines to which the investment managers must adhere when making investment decisions. The consultant fees were paid by the Corporation.

b) Investment Management Services

Greystone Capital Management Inc., Jarislowsky Fraser Ltd., Templeton Management Limited, Perigee Investment Counsel Inc. and Northwater Capital Management Inc. invested the monies of the Plan during the year, under a contract to provide services.

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

c) Custodian Services

The custodian for the Plan assets is responsible for the safekeeping of all assets and property of the Plan; processing and handling of investment transactions; reviewing and documenting investment compliance of the managers; and providing SaskPower with detailed reports identifying the specific assets held in the Plan. Custodian services were provided by RBC Global Services.

d) Board Member Training

Each Board member is allocated up to $5,000 per annum to use on a variety of training courses held throughout the year. Such courses or seminars cover topics including investment performance, risk management and asset allocation. This expense will ensure that all Board members have adequate training and remain up to date on the various issues that relate to prudent plan governance.

In 2003, Board member training costs totaled $17,519.

8. INVESTMENT PERFORMANCE

The investment manager makes the day-to-day decisions on whether to buy or sell specific investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over a rolling four-year period. The Plan's benchmark has been determined using the actual returns of market indexes such as the Scotia Capital Universe Bond index, Nesbitt Burns TSX 300 10% capped index, Morgan Stanley Capital International Europe, Australia, Far East index, Morgan Stanley World Index and the S&P 500 index. The primary long-term investment performance objective for the entire portfolio is to out-perform a benchmark portfolio. The following is a summary of the Plan's investment performance as provided by Towers Perrin:

	Annual Return		Four-Year Rolling Average Return	
	2003	2002	**2003**	2002
Plan's actual rate of return	**13.5%**	(2.1)%	**5.3%**	5.1%
Target rate of return	**13.0%**	(4.9)%	**2.9%**	2.8%

In 2003, the Plan achieved an increase to the market value of its investments of $59 million. Unrealized market value gains of $31 million and realized market value gains of $38 million were partially offset by a foreign exchange loss of $10 million. This foreign exchange loss is due to the sharp rise of the Canadian dollar, from $0.6331 U.S. as at December 31, 2002, to $0.7738 U.S. as at December 31, 2003.

In 2002, the Plan saw a decrease to the market value of its investments. This decrease was made up of unrealized market value losses of $18 million, realized market value losses of $25 million and foreign exchange losses of $2 million.

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

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	Investments		Investment Income	
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The costs to administer the Plan are borne by the Corporation and are therefore not reflected in the Plan's financial statements. The costs typically paid for by the Corporation include audit, actuarial and consulting fees as well as general administration costs. However, investment management and custodial fees are paid by the Plan. In 2003, the Corporation paid $85,000 (2002 – $75,902) for costs relating to the Plan. These figures do not include salaries paid to employees of the Corporation who serve as staff advisors or administrators of the Plan.

The Board has developed, with the assistance of its consultant, Towers Perrin, specific investment policies and guidelines in which the investment managers must adhere when making investment decisions. The consultant fees are paid by the Corporation.

b) Investment Management Services

Greystone Capital Management Inc. (formerly Trimark Ltd.), Templeton Management Limited, Prime Investment Counsel Inc. and Northwest Capital Management Inc. invested the monies of the Plan during the year and were remunerated for their services.

Power Corporation Superannuation Plan

Notes to the Financial Statements

As at December 31, 2003

c) Custodian Services

The custodian for the Plan assets is responsible for the safekeeping of all assets and property of the Plan; processing and handling of investment transactions; reviewing and documenting investment compliance of the managers; and providing SaskPower with detailed reports identifying the specific assets held in the Plan. Custodian services were provided by RBC Global Services.

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In 2002, the Plan saw a decrease in the market value of its investments. The decrease was made up of unrealized market value losses of $18 million, realized market value losses of $25 million and foreign exchange losses of $2 million.

Power Corporation Superannuation Plan

Schedule of Investments

As at December 31

(in thousands)	2003	2002
Short-term securities (Note 3)		
Canada	$ 26,892	$ 6,802
U.S.	81,798	47,850
	108,690	54,652
Bonds (Note 3)		
Government of Canada and federally-guaranteed	126,786	170,251
Provincial and provincially-guaranteed (Note 6)	56,807	72,642
Corporate	46,810	78,650
	230,403	321,543
Equities (Note 3)		
Canada	158,969	165,412
Foreign	185,498	93,874
	344,467	259,286
	$ 683,560	$ 635,481

See accompanying notes

Power Corporation Superannuation Plan

Net Assets Available for Benefits

Five-Year Review

(in thousands)	2003	2002	2001	2000	1999
Assets					
Investments					
Short-term securities	$ 108,690	$ 54,652	$ 73,865	$ 80,027	$ 83,516
Bonds	230,403	321,543	324,892	315,100	278,045
Equities	344,467	259,286	295,505	332,510	331,605
Mortgages	-	-	671	699	725
Real estate	-	-	-	-	7,670
	683,560	635,481	694,933	728,336	701,561
Receivables					
Employees' contributions	40	41	46	53	65
Sponsors' contributions	48	49	44	50	56
Accrued investment income	2,200	3,627	3,950	5,369	3,360
Other receivables	29	9,298	562	-	16
	2,317	13,015	4,602	5,472	3,497
Cash	6,687	1,161	107	(400)	3,538
Total assets	692,564	649,657	699,642	733,408	708,596
Liabilities					
Accounts payable	9,002	8,860	1,321	934	1,212
Net assets available for benefits	$ 683,562	$ 640,797	$ 698,321	$ 732,474	$ 707,384

Schedule of Investments

(in thousands)	2003	2002
Short-term securities		
Canada	$ 26,892	$ 6,802
U.S.	81,798	47,850
	108,690	54,652
Bonds		
Government of Canada and federally guaranteed	126,786	170,251
Provincial and provincially guaranteed	56,807	72,642
Corporate	46,810	78,650
	230,403	321,543
Equities		
Canada	158,969	165,412
Foreign	185,498	93,874
	344,467	259,286
	$ 683,560	$ 635,481

Power Corporation Superannuation Plan

Net Assets Available for Benefits

Five Year Review

(in thousands) ▸	2003	2002	2001	2000	1999
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Short-term securities	$ 108,690	$ 54,652	$ 73,865	$ 80,027	$ 83,516
Bonds	230,403	321,543	324,892	315,100	278,045
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Net assets available for benefits	$ 683,562	$ 640,797	$ 698,321	$ 732,474	$ 707,384

Power Corporation Superannuation Plan

Changes in Net Assets Available for Benefits

Five-Year Review

(in thousands)	2003	2002	2001	2000	1999
Increase in net assets					
Investment income					
Interest					
Short-term securities	$ 321	$ 1,676	$ 3,346	$ 5,686	$ 4,133
Bonds	15,618	17,888	18,336	18,298	17,155
Misc. income/mortgages	16	4	53	55	57
	15,955	19,568	21,735	24,039	21,345
Dividends	6,708	5,427	6,608	7,563	5,037
Real estate income	-	-	-	456	637
	22,663	24,995	28,343	32,058	27,019
Increase (decrease) in market values of investments	58,916	(44,975)	(24,834)	30,279	51,068
Contributions					
Employees'	1,781	1,860	1,908	1,949	1,919
Sponsors'	498	598	479	546	560
Transfers	-	272	-	-	180
	2,279	2,730	2,387	2,495	2,659
Increase (decrease) in net assets	83,858	(17,250)	5,896	64,832	80,746
Decrease in net assets					
Superannuation allowances	39,451	38,693	38,110	37,719	37,367
Refunds on terminations	-	62	345	230	429
Administrative expenses	1,642	1,519	1,594	1,793	1,547
Decrease in net assets	41,093	40,274	40,049	39,742	39,343
Increase (decrease) in net assets	42,765	(57,524)	(34,153)	25,090	41,403
Net assets available for benefits, beginning of year	640,797	698,321	732,474	707,384	665,981
Net assets available for benefits, end of year	$683,562	$640,797	$698,321	$732,474	$707,384

Power Corporation Superannuation Plan

Net Assets Available for Benefits and Accrued Pension Benefits and (Deficit)/Surplus

Five-Year Review

(in thousands)	2003	2002	2001	2000	1999
Assets					
Investments	$ 683,560	$ 635,481	$ 694,933	$ 728,336	$ 701,561
Receivables	2,317	13,015	4,602	5,472	3,497
Cash	6,687	1,161	107	(400)	3,538
	692,564	649,657	699,642	733,408	708,596
Liabilities	9,002	8,860	1,321	934	1,212
Net assets available for benefits	683,562	640,797	698,321	732,474	707,384
Accrued pension benefits and deficit	704,437	674,463	640,650	630,433	633,477
(Deficit)/surplus [1]	$ (20,875)	$ (33,666)	$ 57,671	$ 102,041	$ 73,907

[1] (Deficit)/Surplus is based on the estimated value of assets and pension liabilities as at December 31 of each year and does not take into account any estimate for future pension liabilities that might accrue as a result of future years of pensionable service.

Power Corporation Superannuation Plan

Changes in Net Assets Available for Benefits

Five Year Review

(in thousands)	2003	2002	2001	2000	1999
Increase in net assets					
Investment income					
Interest					
Short-term securities	$ 321	$ 1,676	$ 3,346	$ 3,686	$ 4,133
Bonds	15,618	17,688	18,336	18,298	17,155
Misc. income/mortgages	16	4	53	55	57
	15,955	19,368	21,735	24,039	21,345
Dividends	6,708	5,427	6,608	7,563	5,037
Real estate income	–	–	–	436	637
	22,663	24,995	28,343	32,038	27,019
Increase (decrease) in market values of investments	58,916	(44,975)	(24,834)	30,279	51,068
Contributions					
Employees	1,781	1,860	1,908	1,939	1,919
Sponsors	498	598	479	546	560
Transfers	–	272	–	–	180
	2,279	2,730	2,387	2,485	2,659
Increase (decrease) in net assets	83,858	(17,250)	5,896	64,832	80,746
Decrease in net assets					
Superannuation allowances	39,451	38,693	38,110	37,219	37,367
Refunds on terminations	–	62	348	280	429
Administrative expenses	1,642	1,519	1,591	1,793	1,547
Decrease in net assets	41,093	40,274	40,049	39,292	39,343
Increase (decrease) in net assets	42,765	(57,524)	(34,153)	25,090	41,403
Net assets available for benefits, beginning of year	640,797	698,321	732,474	707,384	665,981
Net assets available for benefits, end of year	$683,562	$640,797	$698,321	$732,474	$707,384

Power Corporation Superannuation Plan

Net Assets Available for Benefits and Accrued Pension Benefits and (Deficit)/Surplus

Five-Year Review

(in thousands)	2003	2002	2001	2000	1999
Assets					
Investments	$ 683,560	$ 635,481	$ 691,933	$ 728,336	$ 701,564
Receivables	2,317	13,015	1,602	3,472	3,497
Cash	6,687	1,161	107	1,080	3,538
	692,564	649,657	693,642	732,888	708,599
Liabilities	9,002	8,860	1,321	934	1,212
Net assets available for benefits	683,562	640,797	692,321	731,954	707,387
Accrued pension benefits and deficit	704,437	674,463	640,650	640,643	633,477
(Deficit)/surplus	$ (20,875)	$ (33,666)	$ 51,671	$ 101,041	$ 73,910

[1] (Deficit)/Surplus is based on the estimated value of assets and pension liabilities as at December 31 of each year and does not take into account any estimate for future pension liabilities that might accrue as a result of future years of pensionable service.

Glossary

Actuarial Assumptions

Estimates of future events that will affect a plan's costs for future employee's benefits. Examples of these estimates are: rates of return on plan assets, termination rates, retirement age, mortality, dependency status, future salary and benefit levels.

Actuarial Valuation

Prepared by an actuary to determine the financial status of the benefit plan. It considers the value of plan assets and determines whether the contribution rates are adequate.

Actuary

Professional trained in technical aspects of pensions.

Annuity

Periodic payments (usually monthly) provided by the terms of a contract for the lifetime of an individual (the annuitant) or the individual and his or her designated beneficiary.

Asset Allocation

The dividing of assets among different categories such as equities, bonds and international investments.

Bonds

Long-term debt instrument from a company that provides regular interest payments to the bond-holder and repays the face value at maturity.

Counterparty

An individual or organization with whom one transacts business.

Custodian

Holds assets for safekeeping for the pension plan, may collect income and dividends and do simple reporting on assets. The custodian does not have fiduciary responsibility.

Debentures

A long-term unsecured corporate bond. Debentures are usually issued by large, profitable firms having excellent credit ratings in the financial community.

Defined Benefit Plan

Pension plan that provides a defined benefit based on a formula including factors such as years of service and average earnings.

Glossary (continued)

Defined Contribution Plan

Pension plan that specifies the amount to be contributed to the plan. Contributions and time period determine the benefit.

Equities

Common stock or ownership in a company.

Fair Value

Dollar amount that two parties consider appropriate for a transaction.

Fiduciary

Person or authorized group, such as the Power Corporation Pension Board, that controls the operation of a pension plan and its assets.

Futures

Contractual agreements to either buy or sell an asset at a specified price and date in the future.

Index

Method of measuring the investment manager's performance through benchmarks of similar assets.

Joint Annuity

An annuity issued to two individuals under which payments continue in whole or in part until the death of both individuals.

Notional Value

Amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Securities

Stocks, bonds and notes that give evidence to and assure the fulfillment of a commitment.

Standard & Poor's (S&P) 500

Comparison portfolio made up of common stocks that are used to measure performance of other stock funds.

Notes:

If you have any questions, please contact:

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